



State of Wisconsin • DEPARTMENT OF REVENUE

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Jim Doyle
Governor

Roger M. Ervin
Secretary of Revenue

Assembly Ways and Means Committee Hearing, June 13, 2007

AB 77 – Distributing the School Levy and Lottery and Gaming Property Tax Credits (Rep. Sherman)

Description of Current Law and Proposed Change

Under current law, the lottery credit is paid to municipal treasurers on the 4th Monday in March. The treasurer must settle for the credit with overlying taxing jurisdictions no later than the following April 15. The school levies credit is paid to municipal treasurers on the 4th Monday in July. The treasurer must settle for the credit with the county no later than August 15. The county treasurer must settle with the unpaid taxing jurisdictions no later than August 20.

Under the bill, both credits would be paid on the same dates as under current law, but be paid to the county treasurer instead of the municipal treasurer. County treasurers would be required to settle for the credits with every taxing jurisdiction by April 15 (for the lottery credit) or August 20 (for the school levies credit).

The bill permits municipalities whose total credit payments are \$3 million or more to request that the credits continue to be paid directly to them. Municipal treasurers would be required to settle for the lottery credit by April 15 and to settle with the county for the school levies credit by August 20. For the 2005/06 property tax year, 27 municipalities, representing about 32.5% of total credit payments, could have used this option.

Fairness/Tax Equity

- This bill affects which level of government holds state aid payments prior to settlement dates.

Impact on Economic Development

- This bill has no effect on economic development.

Administrative Impact/Fiscal Effect

- Under current law, municipalities can earn interest on the credit payments for the days between when the credits are paid to them and when they settle for the credits. Under the bill, the ability to earn interest would shift to counties. For purposes of estimating the potential shift in interest earnings, it is assumed that every municipality currently settles for the credits on the due date, the annual interest rate is 5.25% (equal to the rate paid on deposits in the state's Local Government Investment Pool for December 2006), and all credits would now be paid to counties. The shift in interest earnings for credit

payments in 2007 would be as follows: for the lottery and gaming credit, $\$145,276,800 * (20/365) * 5.25\% = \$418,000$, and for the school levies credit, $\$593,050,000 * (23/365) * 5.25\% = \$1,962,000$. Thus, the total potential shift in interest earnings from municipalities to counties would total to $\$2,380,000$.

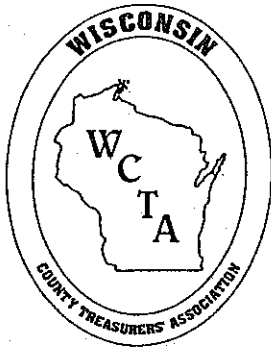
- The actual shift in interest earnings from municipalities to counties would probably be less than the amount shown above because some municipalities that the bill permits to continue receiving credit payments will choose to do so. In addition, some municipalities settle for their credit payments shortly after receipt, instead of on the due date. The Department of Revenue does not have data on when municipalities currently settle for their credit payments. As a result, the Department is unable to estimate the actual shift in interest earnings that this bill could engender.
- To avoid DOR administrative problems and potential errors in paying the credits, it would be preferable for all credits to be paid either to municipalities or to counties. Allowing only certain municipalities to continue receiving these credits creates additional opportunities for mistakes in payments to occur.
- The Department of Revenue would incur one-time costs to change its computer and accounting systems regarding to whom the credits should be paid. These costs can be absorbed.

Prepared by: Daniel Huegel, (608) 266-5705

June 13, 2007

DH:skr

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Wisconsin County Treasurers' Association

March 4, 2008

The Wisconsin County Treasurers' Association (WCTA) is seeking your support for the following legislation. We encourage you to contact Sherri Hawkins, WCTA President; Vicki Brown, WCTA Legislative Committee Chair; or the county treasurer(s) in your district with any questions.

Bill	Subject	Explanation
AB 77	Payment of Lottery & Gaming Credit & School Tax Credit	Statute 79.10(7m) – This bill has passed the Assembly and is scheduled for a Senate Hearing on March 5 - Committee on Tax Fairness and Family Prosperity. Our association will be attending this hearing and if passed is looking for it to be scheduled in Executive Session, for passage by the Senate.
AB 470	Agricultural Use Conversion Charge	Statute 74.485 – This has passed committee (Ways & Means). We are waiting for floor vote in the Assembly. Needs everything in the Senate.

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**THE DAILY
PRESS**

NORTHERN WISCONSIN'S MORNING NEWSPAPER

www.AshlandWI.com**News****County treasurer pitches idea to Legislature**

Print Page

By RICK OLIVO
Staff Writer

Published: Tuesday, March 4, 2008 9:31 AM CST

A money-saving and efficiency-enhancing suggestion by Bayfield County Treasurer Dan Anderson has led to legislation that has been approved by the Assembly and is awaiting action in the State Senate.

The legislation changes the way in which school levy and lottery property tax credits are distributed to over 1,800 state municipalities. Under current state law, the Wisconsin Department of Revenue sends the credit payments to every local treasurer in the state. Those treasurers, the vast majority of whom are part-time town officials, must then make distributions to the counties and many other taxing jurisdictions. Such an onerous job is filled with possibilities for error and delay.

Under the bill proposed by Anderson and introduced by State Representative Gary Sherman, D-Port Wing, the funds are distributed directly to the 72 county treasurers. They then settle with the various taxing jurisdictions as part of the overall property tax settlement process they oversee.

"You can imagine how many times these checks are being written," Anderson said. "It gets written to the towns, and the town writes a check to the county and so on. That's a lot of checks."

Anderson said he proposed the change as a way to save time and money.

"I proposed just writing one check to the county and we can disburse it," he said.

Anderson noted that the state school tax credit checks come to the counties from the towns anyway, so sending the checks directly eliminates an entire step in the process.

"The current system just isn't working very well," he said.

Because county clerks are much closer to the towns than any state bureaucracy could be, Anderson said they could be much more responsive to changes in town clerks or other factors that currently can delay timely payments.

On the face of it, such a system seems to be eminently efficient, so why hasn't it been incorporated before?

"That's a good question," laughed Anderson. "I don't know why it hasn't been done before. It's a no-brainer and it's taken at least two or three years to get it through the Legislature."

"It is a no-brainer and I am amazed that it took me two sessions to get it through, but finally we are close," echoed Sherman. "It hasn't made it through the Senate yet, but I am pretty sure we can get it through."

Sherman noted that the lead author of the bill in the Senate is State Sen. Bob Jauch, D-Poplar.

"That will help, and I have already talked to (Senate Majority Leader) Senator Decker about it and I don't think it will be a problem," Sherman said.

In fact, Sherman said the biggest obstacle to the bill could well be the floodgates of legislation that have

been loosed in the closing days of the legislative session.

"We all feel like we are running a marathon this week, with the number of bills that are rushing to get to the floor before the end of the session," Sherman said. "This was the first bill I introduced this term, just over a year ago. I am relieved that it was able to come to a vote, and a successful one at that."

The bill was introduced by Sherman last year, but failed to make it to either house for a vote. This year, however, it received unanimous votes in both the Ways and Means and the Joint Finance committees.

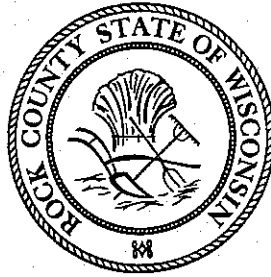
"I think it's a good idea, and I think everybody else seems to agree," Sherman said.

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ROCK COUNTY, WISCONSIN

Date: March 5, 2008
To: Senate Committee on Tax Fairness and Family Prosperity
From: Vicki Brown, Wisconsin County Treasurers' Association Legislative Chair
Subject: Assembly Bill 77

Under current law, both the school levy tax credit and the lottery and gaming credit are paid separately by the Department of Administration to the roughly 1,850 municipalities throughout the state. Under Assembly Bill 77, these two property tax credits would be paid to the 72 counties, not to the municipalities.

Attached is a resolution from the Wisconsin County Treasurers' Association, WCTA, supporting AB 77. The county treasurers worked with the bill's author to craft this bill into common sense legislation. From an administrative standpoint, it makes sense to disburse 72 payments twice a year as opposed to 1,850 payments twice a year. AB 77 would also simplify bookkeeping for all taxing jurisdictions since the local school districts, technical colleges, sanitary districts, etc., would be receiving one check from the county versus one check from each municipality.

County treasurers are directed by statute to pay all taxing jurisdictions' levies in full by August 20 each year. Since this requires counties to incorporate the amounts of both of these property tax credits, AB 77 will alleviate the additional work required to verify what was actually paid to the taxing jurisdictions with what was reported to have been paid.

This bill also allows municipalities with three or more installment payments and municipalities where the total amount for both credits exceeds \$3 million dollars to continue receiving the credits directly from the department of administration. In Rock County, this would allow the two largest municipalities, the Cities of Beloit and Janesville, to continue receiving the credits directly if the municipality so chooses.

Thank you for your consideration.

Attachment
CC: Rock County Senator Robson
WCTA

Wisconsin County Treasurers' Association

March, 2007 Seminar

Resolution No. 2007-03

Re: Distribution of School Levy Tax Credit and the Lottery and Gaming Credit

WHEREAS, the Wisconsin County Treasurers' Association continues to support ways to simplify State, Local, and County Government, and

WHEREAS, Representative Sherman has proposed legislation with Assembly Bill 77 to streamline and create more efficient government, and

WHEREAS, the Department of Revenue is currently sending checks to all 1,850 municipalities in Wisconsin for both the School Levy Tax Credit and the Lottery and Gaming Credit, and

WHEREAS, under AB77 the Department of Revenue would only have to send 72 checks for each credit, which would be a substantial savings and would allow the Wisconsin County Treasurers to administer the property tax credits,

NOW, THEREFORE, BE IT RESOLVED, that the Wisconsin County Treasurers' Association supports the intention of AB77 with the exception of 79.10(7m)(c) *Distribution to certain municipalities*.

BE IT FURTHER RESOLVED that the proposed 79.10(7m)c be amended to read as follows:

1. Those municipalities having "multiple payments" (i.e. more than two) with the approval of the majority of the members of the municipality's governing body, may notify the Department of Administration to distribute the amounts directly to the municipality and the Department of Administration shall distribute the amounts at the time and in the manner provided under pars. (a) 1. and (b) 1.

Respectfully submitted this 20th day of March, 2007.

RESOLUTIONS COMMITTEE

Kay Schroeder, Shawano County Treasurer

JoAnne Friberg, Florence County Treasurer

Patti Hilker, Dodge County Treasurer